

**Annual
Report
1977**

AR26



STERLING TRUST CORPORATION



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To the Shareholders:



I am pleased to report that 1977 was an excellent year for Sterling Trust Corporation, in spite of Canada's turbulent economy and uncertain political climate.

Total assets increased from \$199,119,000 at December 31, 1976 to \$240,474,000 at December 31, 1977, an increase of 20.8%.

Net operating income of \$1,436,681 or \$1.65 per share represents a substantial increase over 1976 income of \$1,068,227 or \$1.25 per share.

Net earnings for the year of \$1,455,091 represent a return on capital (excluding deferred taxes) of 16.8% compared with 14.5% in the previous year.

The increase in demand deposits of \$6,796,000 to \$33,269,000 or 25.6% reflects not only the success of the branch expansion program but also the extensive sales promotion and advertising efforts.

At year-end the market value of securities was in excess of the book value thereby erasing the deficiency which existed at the beginning of the year in the amount of \$603,000.

During the year \$1,000,000 in Preferred shares were issued to support your Corporation's growth. And, it is expected that a further addition to the equity base will be necessary in 1978 to sustain the growth rate.

The mortgage portfolio increased \$33,848,000 to \$199,291,000. In anticipation of a possible shortage of residential mortgages, currently our major investment vehicle, management has extended your Corporation's lending activity into the commercial, commercial-retail and industrial mortgage fields. This diversification will broaden our existing mortgage portfolio.

The conversion of mortgage accounting, begun this year, is expected to be completed in 1978 and should improve customer service and increase our capacity to handle anticipated growth.

This year Sterling entered the consumer loan field and by year-end Sterling's personal loan portfolio had grown to \$938,000.

After less than two years operation, Sterling's Mortgage Fund has passed the \$10,000,000 mark.

During the year our Registered Retirement Savings

Plan package was refined to facilitate customer service, and by year-end, Sterling had 6,800 accounts with assets of approximately \$30,825,000.

Our dividend payout policy continues to be under the control of the Anti-Inflation Board. This matter will be considered by your directors early in the new year.

During 1977 Sterling opened branches in Lindsay and Barrie and relocated its Bracebridge branch in larger premises. The opening of the Barrie branch, the second one in the community, is of particular interest because it is the first Sterling branch to offer drive-up teller service and evening hours.

Our 13th branch is scheduled to open in Owen Sound in March.

Another milestone was reached this year when Sterling moved its Head Office out of rented facilities into Sterling House, an office building in the heart of Toronto's financial district, recently purchased by the Corporation.

Sterling is continuing to place increased emphasis on staff education and training in order to meet the Corporation's needs and at the same time provide employees with the opportunity for internal advancement.

A new budgeting system was introduced late in the year to facilitate future planning and the controlled growth of the Corporation. It is expected that it will be three years before the full benefits of the system are felt throughout the corporation.

In a service business, such as ours, one cannot overestimate the contributions our employees and Directors have made in achieving these results. So, on your behalf, I would like to take this opportunity to thank them all.

F. Robert Hewett
President



In 1977, I turned 65 and retired as President of Sterling Trust Corporation.

F. Robert Hewett, your new President, will report on your Corporation's progress during 1977, but I would like to take this opportunity to share with you a review of Sterling's achievements over the past 15 years I served as President.

When I was elected President in 1962, the total assets of the Corporation, after 51 years of business, were just under 28 million dollars. It is interesting to note that we have budgeted to grow by more than that amount in the first six months of 1978. The total assets at December 31, 1977 were \$240,474,000, an increase of \$212,600,000 over the 15 years. Similarly, in 1962, the earnings per share (on an adjusted basis) were 46¢, whereas in 1977 earnings had increased to \$1.67, an increase of 263%. And, in 1962 we had only one branch, located in Barrie.

At the end of 1977, we had 12 branches and had relocated the original Barrie branch twice, each time to larger quarters on Dunlop St.

Once a small operation, Sterling has grown into one of the more respected and innovative of Canada's mid-size trust companies. And, I believe, it is on the springboard of even greater achievements with its fine premises, vigorous management and excellent staff.

I look forward to continued service to the Corporation in my new role as Chairman of the Board, convinced that Sterling Trust Corporation will continue to achieve outstanding results, thus rewarding the loyalty of you, our shareholders.

It is with regret that I note the death in December 1977 of R. T. Birks, President of the Corporation from 1954 to 1962.

Niels F. Petersen
Chairman of the Board

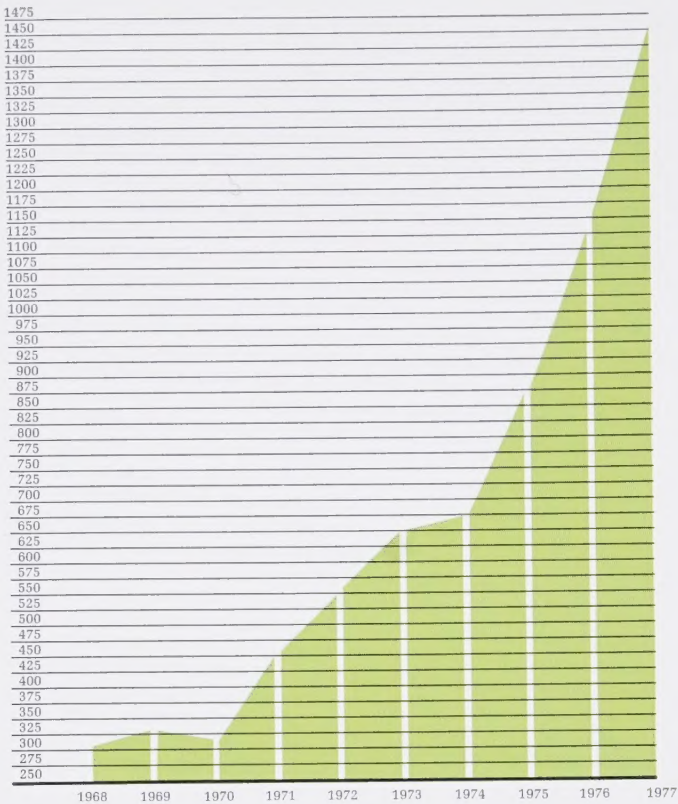




Record of the Past Ten Years

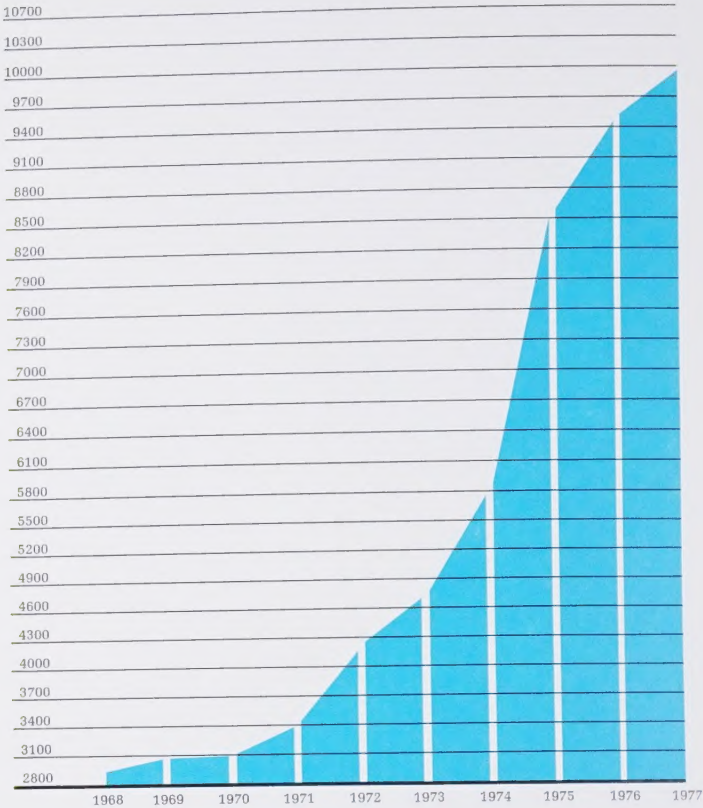
Net Profit After Taxes

Thousands



Capital and Reserves

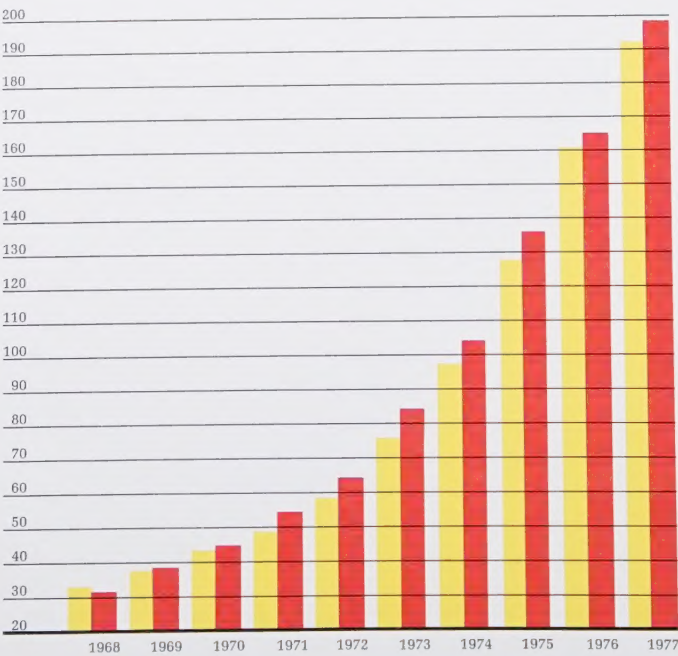
Thousands



Guaranteed Investment Certificates

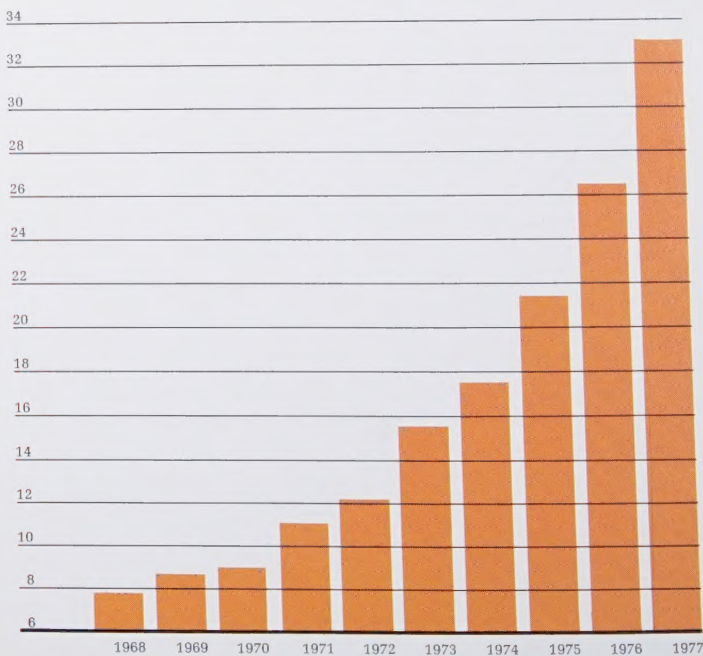
Mortgages

Millions



Savings Deposits

Millions



Directors

*S. Bruce Adams, F.C.A.
Toronto, Ont.
Norman H. Bell
Toronto, Ont.
Robert J. Birtles
Toronto, Ont.
*James W. Blaney, Q.C.
Toronto, Ont.
*Horace T. Burgess
Toronto, Ont.
*Peter O. Crassweller, M.D.,
F.R.C.S. (C), F.A.C.S.
Toronto, Ont.
Robert I. Hendy, Q.C.
Toronto, Ont.
*F. Robert Hewett
Toronto, Ont.
*H. Donald Langdon, Q.C.
Toronto, Ont.
*Charles F. Petersen
Toronto, Ont.
*Niels F. Petersen
Toronto, Ont.
*T. Gordon Taylor
Toronto, Ont.
Arthur W. White
Toronto, Ont.
J. Alex Wilson, B.A. Sc., P.Eng.
Orillia, Ont.

*Members of the Executive Committee

Officers

Niels F. Petersen
Chairman of the Board
F. Robert Hewett
President
Charles F. Petersen
Vice-President Operations
Horace T. Burgess
Vice-President
H. Donald Langdon, Q.C.
Vice-President
T. Gordon Taylor
Managing Director
Dennis W. Jones, F.C.I.S.
Assistant General Manager
James A. Shute
Assistant General Manager
Fred C. Beveridge
Secretary
William L. Henderson, F.C.G.A.
Treasurer

Auditors

Peat, Marwick, Mitchell & Co.

Head Office

220 Bay St., Toronto
M5J 2K8/364-7495

Branches

Jack H. Renz
1 Yonge St. S., Aurora
L4G 1L8/727-1328
Ross A. Furzeczott
16 Dunlop St. E., Barrie
L4M 1A3/726-6495
George Haines
331 Bayfield St., Barrie
L4M 3B3/726-7315
D. Allan Austin
Dominion Shopping Centre,
Bracebridge
P0B 1C0/645-5219
Gerald Juby
Lindsay Square Mall
Lindsay, Ontario
K9V 4Z1/324-7262
J. Doug McArthur
72-C Main St. N., Markham
L3P 1X5/294-3207
B. Del Reed
309 King St., Midland
L4R 4P4/526-3768
Peter Humphrey
721 Davis Dr., Newmarket
L3Y 2R2/898-2700

Bev M. Hewitt
73 Mississaga St. E., Orillia
L3V 6J3/325-2226
Anne L. Eddington
Orillia Square, Orillia
325-2373
John C. K. van den Heuvel
347 Bay St., Toronto
M5H 2R7/363-6341
Gerald K. Cooper
1 Brock St. E., Uxbridge
L0C 1K0/852-3383



